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## Governmental Funds

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### General Fund

*The General Fund accounts for transactions related to resources received and used for those services traditionally provided by a state government, which are not accounted for in any other fund.*

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### Special Revenue Funds

*Special Revenue Funds account for specific revenue sources that are restricted to finance particular functions and activities of the Commonwealth.*

**The Commonwealth Transportation Fund** accounts for the revenues and expenditures associated with highway operations, maintenance, construction, and other transportation related activities. Funding for these programs is provided from highway user taxes, fees, and funds received from the Federal government.

**The Federal Trust Fund** accounts for all federal dollars received by the Commonwealth except those received by the Commonwealth Transportation Fund, the Unemployment Compensation Fund, and institutions of higher education. In addition, federal funds received from Medicaid intergovernmental transfers and for the Commonwealth's share of claims are reported in the Other – Special Revenue Fund. The entire fund is restricted pursuant to federal regulations. As such, a separate fund balance reservation is not reflected.

**The Literary Fund** accounts for revenues from fines, forfeitures, and proceeds from unclaimed property used primarily to support public education in the Commonwealth. This fund provides low interest loans to school divisions for construction, renovations, and expansion of school buildings. The entire fund is constitutionally restricted for public schools. As such, a separate fund balance reservation is not reflected.

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**Nonmajor Governmental Funds** include those Special Revenue, Debt Service, Capital Projects, and Permanent Funds listed on page 171 in the Combining and Individual Fund Statements and Schedules section of this report.

## Balance Sheet – Governmental Funds

June 30, 2004

(Dollars in Thousands)

		Special Revenue		
	General	Commonwealth Transportation	Federal Trust	Literary
Assets				
Cash and Cash Equivalents (Notes 1 and 4)	\$ 354	\$ 1,256,416	\$ 72,875	\$ 86,936
Investments (Notes 1 and 4)	1,592,858	323,375	5,401	32,558
Receivables (Net) (Notes 1 and 5)	786,369	272,025	402,879	433,697
Due from Other Funds (Note 7)	6,774	30,489	2,221	-
Due from External Parties (Fiduciary Funds) (Note 7)	52	-	-	-
Interfund Receivable (Note 7)	-	-	-	-
Inventory (Note 1)	46,530	42,706	6,507	-
Other Assets (Notes 1 and 8)	1,463	930	1,314	-
Loans Receivable from Component Units (Notes 1 and 7)	-	-	-	-
Total Assets	\$ 2,434,400	\$ 1,925,941	\$ 491,197	\$ 553,191
Liabilities and Fund Balances				
Accounts Payable (Notes 1 and 17)	\$ 187,462	\$ 178,435	\$ 88,742	\$ 223
Amounts Due to Other Governments	265,304	59,310	102,743	-
Due to Other Funds (Note 7)	45,156	9,534	5,275	-
Due to Component Units (Note 7)	-	-	-	-
Due to External Parties (Fiduciary Funds) (Note 7)	44	-	-	-
Interfund Payable (Note 7)	-	-	4,975	-
Deferred Revenue (Note 1)	312,424	61,780	65,559	12,890
Deferred Taxes (Note 1)	231,400	-	-	-
Obligations Under Securities Lending Program (Notes 1 and 4)	501,394	290,403	5,401	32,558
Other Liabilities (Notes 1 and 18)	444,163	5,630	197,299	-
Loans Payable to Component Units (Notes 1 and 7)	-	-	-	170,520
Long-Term Liabilities (Notes 1, 15, and 19)	814	220	89	-
Total Liabilities	1,988,161	605,312	470,083	216,191
Fund Balances Reserved for (Note 1):				
Revenue Stabilization Fund	340,067	-	-	-
Unexpended Lottery Proceeds	22,701	-	-	-
Inventory	46,530	42,706	6,507	-
Debt Service	-	-	-	-
Gifts and Grants	-	365	-	-
Capital Acquisition	-	-	-	-
Other	-	14,898	-	-
Fund Balances Unreserved, Reported in (Note 1):				
General Fund	36,941	-	-	-
Special Revenue Funds	-	1,262,660	14,607	337,000
Capital Projects Funds	-	-	-	-
Permanent Funds	-	-	-	-
Total Fund Balances	446,239	1,320,629	21,114	337,000
Total Liabilities and Fund Balances	\$ 2,434,400	\$ 1,925,941	\$ 491,197	\$ 553,191

The accompanying notes are an integral part of this financial statement.

<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 493,925	\$ 1,910,506
79,624	2,033,816
63,012	1,957,982
5,515	44,999
99	151
79,563	79,563
5,298	101,041
1,567	5,274
65,206	65,206
<u>\$ 793,809</u>	<u>\$ 6,198,538</u>
\$ 50,957	\$ 505,819
397	427,754
4,476	64,441
7,867	7,867
-	44
33,267	38,242
18,887	471,540
-	231,400
36,726	866,482
8,304	655,396
-	170,520
244	1,367
<u>161,125</u>	<u>3,440,872</u>
-	340,067
-	22,701
5,298	101,041
75,431	75,431
8,507	8,872
8,829	8,829
-	14,898
-	36,941
540,586	2,154,853
(33,698)	(33,698)
27,731	27,731
<u>632,684</u>	<u>2,757,666</u>
<u>\$ 793,809</u>	<u>\$ 6,198,538</u>

## Reconciliation of the Balance Sheet – Governmental Funds to the Government-wide Statement of Net Assets

June 30, 2004

(Dollars in Thousands)

<b>Total fund balances - governmental funds (see Balance Sheet - Governmental Funds)</b>	<b>\$ 2,757,666</b>
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When capital assets (land, buildings, equipment, improvements, construction in progress, and/or infrastructure) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the Statement of Net Assets includes those capital assets among the assets of the Commonwealth as a whole.

13,958,168

Long-term liabilities applicable to the Commonwealth's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Assets.

Pension Liability	(536,299)
Capital Lease	(236,253)
Installment Purchases	(13,972)
Compensated Absences	(297,674)
Uninsured Employer's Fund	(20,928)
Regional Jails	(16,654)
Bonds	(3,223,721)
Notes	(33,616)
Other Obligations	(30,845)

Internal service funds are used by the Commonwealth to charge costs to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the Statement of Net Assets.

(116,996)

Other long-term payables are not due and payable in the current period and, therefore, are not reported in the funds.

(77,979)

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.

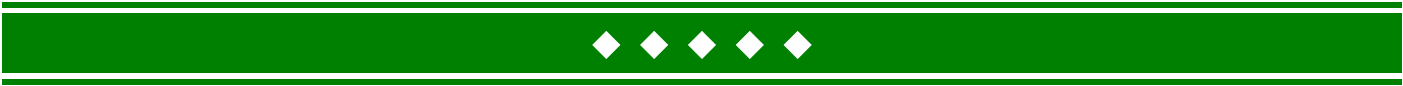
421,612

Noncurrent amounts owed to special revenue funds from proprietary funds are not recorded in the fund statements due to the fact that revenue recognition criteria were not met. These amounts are reported in the Statement of Net Assets.

19,651

<b>Net assets of governmental activities (see Government-wide Statement of Net Assets)</b>	<b>\$ 12,552,160</b>
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The accompanying notes are an integral part of this financial statement.



# Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

For the Fiscal Year Ended June 30, 2004  
(Dollars in Thousands)

	Special Revenue			
	General	Commonwealth Transportation	Federal Trust	Literary
Revenues				
Taxes	\$ 11,511,665	\$ 1,870,050	\$ -	\$ -
Rights and Privileges	69,675	459,324	33	183
Institutional Revenue	9,680	-	-	-
Interest, Dividends, Rents, and Other Investment Income (Note 1)	24,951	22,403	583	22,352
Federal Grants and Contracts	-	647,461	5,164,968	-
Other (Note 20)	329,043	116,431	37,246	114,296
Total Revenues	11,945,014	3,115,669	5,202,830	136,831
Expenditures				
Current:				
General Government	1,419,175	1,637	207,137	164
Education	5,279,669	2,236	737,904	185,533
Transportation	48	2,891,475	10,887	-
Resources and Economic Development	214,339	1,968	187,460	-
Individual and Family Services	2,933,208	-	4,109,555	-
Administration of Justice	1,920,102	5,763	52,010	-
Capital Outlay	18,143	16,840	18,476	-
Debt Service:				
Principal Retirement	-	-	-	-
Interest and Charges	-	-	-	-
Total Expenditures	11,784,684	2,919,919	5,323,429	185,697
Revenues Over (Under) Expenditures	160,330	195,750	(120,599)	(48,866)
Other Financing Sources (Uses)				
Transfers In (Note 25)	701,257	221,511	19,585	13,047
Transfers Out (Note 25)	(469,218)	(349,569)	(19,220)	-
Bonds Issued	-	-	-	-
Refunding Bonds Issued	-	-	-	-
Funds from Restructured Escrow	-	-	-	-
Payment to Refunded Bond Escrow Agents	-	-	-	-
Total Other Financing Sources (Uses)	232,039	(128,058)	365	13,047
Net Change in Fund Balances	392,369	67,692	(120,234)	(35,819)
Fund Balance, July 1, as restated (Note 28)	53,870	1,252,937	141,348	372,819
Fund Balance, June 30	\$ 446,239	\$ 1,320,629	\$ 21,114	\$ 337,000

The accompanying notes are an integral part of this financial statement.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 151,682	\$ 13,533,397
204,371	733,586
328,034	337,714
14,151	84,440
19,395	5,831,824
318,664	915,680
<u>1,036,297</u>	<u>21,436,641</u>
128,844	1,756,957
30,337	6,235,679
15,002	2,917,412
263,869	667,636
481,907	7,524,670
74,209	2,052,084
139,249	192,708
242,712	242,712
179,215	179,215
<u>1,555,344</u>	<u>21,769,073</u>
<u>(519,047)</u>	<u>(332,432)</u>
551,235	1,506,635
(116,034)	(954,041)
212	212
205,217	205,217
1,335	1,335
(211,690)	(211,690)
<u>430,275</u>	<u>547,668</u>
(88,772)	215,236
721,456	2,542,430
<u>\$ 632,684</u>	<u>\$ 2,757,666</u>

# **Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Government-wide Statement of Activities**

For the Fiscal Year Ended June 30, 2004  
(Dollars in Thousands)

<b>Net Change in fund balances - total government funds (See Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds)</b>	<b>\$ 215,236</b>
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When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net assets decreases by the amount of depreciation expense charged for the year.	782,958
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Bond proceeds provide current financial resources to governmental funds by issuing debt, which increases long-term bonded debt in the Statement of Activities. Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term bonded debt in the Statement of Net Assets.

Bond proceeds	(212)
Refunding Bonds Issued	(206,552)
Repayment of bond principal	17,053
Payment to refunded bond escrow agent	211,690

Certain expenditures are reported in the funds; however, they either increase or decrease long-term liabilities reported on the Statement of Net Assets and have been eliminated from the Statement of Activities.

Pension Liability	(89,290)
Capital Lease	(4,005)
Installment Purchases	3,692
Compensated Absences	(2,345)
Uninsured Employer's Fund	(846)
Regional Jails	2,633
Bonds	385,719
Interest	(158,511)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	80,486
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(30,840)
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Some expenses are eliminated from the Statement of Activities due to the availability of long-term financial resources.	(248)
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The net revenue (expenses) of certain activities of internal service funds is reported within governmental activities.	(33,313)
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<b>Change in net assets of governmental activities (See Government-wide Statement of Activities)</b>	<b>\$ 1,173,305</b>
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The accompanying notes are an integral part of this financial statement.